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in the future an ever greater elimination of the human personality from industry. Of the substitution of inorganic for organic materials we have already spoken: iron for wood in construction, coal for wood as fuel, coal-tar for vegetable products in dyeing, etc.

In agriculture, that branch of human activity which deals most exclusively with organic nature, the tendency toward the elimination of the organic is marked by the decline of the industry relative to those dealing with inorganic nature—manufacturing and mining. Furthermore, within the limits of agriculture itself and its branches, forestry and stock-raising, inorganic are replacing organic means in production. As in manufacturing, the increasing use of labor-saving and automatic machinery is effecting a decrease of human energy required per unit of product. Chemical—i. e., inorganic—fertilizers are coming more into use, supplementing the limited supply of organic fertilizers.

The emancipation from the limitations of the organic is one of the ways in which man asserts his mastery over nature. He frees himself from the slowness and unreliability of organic processes, and from the necessity of hard and ill-rewarded toil. Organic nature is the most difficult to control, hence he either conquers her or makes himself independent of her; this is the method of economic progress. As yet, he relies upon her for his most necessary requirement, food. Perhaps in the future he may be able even to produce his food by chemical means direct from the inorganic. For the immediate future, however, he must be content with utilizing inorganic means to aid him in producing his food more easily and with greater certainty from organic nature.

EARL DEAN HOWARD.

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SCHMOLLER'S POLITICAL ECONOMY

After more than forty years of penetrating research, Gustav Schmoller has given his *Outlines of Political Economy*¹ to his contemporaries. It is the result of systematic and scientific study by a man who has been one of the leaders in the work of enlarging and consolidating modern economics. To know how he looks upon the world and what he thinks of economic questions, is of the utmost importance to every student, and the recent publication of the second

¹ *Grundriss der Allgemeinen Volkswirtschaftslehre*, Vol. II. Leipzig: Duncker & Humblot, 1904.

and last volume of his work makes the present an opportune time to discuss the peculiarities of the leader of the younger German historical school.

Believing that only a strictly historical inquiry can bring about a thorough understanding of present conditions, and having at the same time an almost passionate aversion to all merely abstract constructive research—an aversion which especially directs itself against Ricardo—it is Schmoller's constant endeavor, his mission as it were, to lay stress on the complexity of facts, the laws of which—if such laws exist at all—must be subject, he asserts, to common historical principles. Consequently, the ruling problem, the scientific pivot, is to him the historical conception. With Schmoller, a realist and an empiricist—the ultimate result of empiricism and realism being nearly always relativism—interpretation must needs lead to a relativism which in itself could not belong more fittingly to any domain of learning than to that of political economy, which has been rightly called the “philosophy of relativism.”

Schmoller was one of the first who tried to treat economic questions dynamically—to look upon facts while they move, while they act and react upon each other; to interpret economic phenomena, not as if they were static and permanent, but living and moving. In the veins of the economic men who moved about in the old grandly conceived construction there flowed no real blood, but—as has been said of the artificially constructed human beings of the philosophy of Locke, Hume, and Kant—“the diluted liquid of reason.”

It cannot be said that Schmoller has made a philosophy of his own the basis of his work. He does not even presume any positive philosophy. His dislike of every constructive basis has kept him consciously away from one, and has led him to seek a deeper and truer relation to only two sides of philosophy, which are much nearer to his heart—psychology and ethics. Psychology, as well as moral and mental science, is to him the key of political economy. His system of ethics aspires to a reconciliation of individualistic and collectivistic theories, and his ideal is the development of the personal, individual, and collectivistic organs. The dynamics of society, from which he starts, are governed, he holds, by the theory of evolution. It is difficult to decide whether he has gone farther in his doctrine than the representatives of organic sociology, and it is also very much to be regretted that the question of heredity, to which he

alludes in the first volume, has not been applied to, or examined in the light of, the historical theory which forms the basis of the whole work. But these problems, as a matter of fact, belong to the vast province of unsolved biological questions which are connected with sociology, the deeper penetration of which will be brought about, I hope, by Schmoller's conception of high- and low-standing races.

At all events, his idea of evolution is a step in advance of the old historical school of Roscher. Doubtless it gravitates, consciously or unconsciously, in the same direction as Marx's theory of evolution.

Schmoller's fundamental political principles are national, but not at all characteristic, as has been maintained by at least one American critic. The historical conception of law and the state, society and religion, intimately connected with the liberal ideas of the eighteenth century, are the basis of Schmoller's work. Practical liberalism, however, with its disregard for the authority of the state, and its insufficiency as regards the social question, could not satisfy his historical and ethical principles. The power and moral weight of the state seemed to him always of the greatest significance, and because he recognized the eminent importance of the social question, he became a so-called "socialist of the chair." A conception of the state "which keeps equally away from a glorification of individualism and its arbitrariness, in the sense of the law of nature, and from the absolute theory of an all-devouring authority of the state," has been asserted by Schmoller ever since the seventies, and has been accepted by nearly all German economists. In his conception of state socialism, however, Schmoller is not as radical as Adolph Wagner or the late lamented Schäffle.

Schmoller, likewise, tries to oppose—in his historical-national mode of thinking—the liberal individualism which is the basis of the Manchester doctrine of free trade. Here individual liberalism becomes a mechanical interpretation, representing, with its abstractions, a negation of individualism and so contradicting itself. Schmoller, always quick to see the complication of things, turns polemically against the defenders of this doctrine, who seem to see things too simply. His own commercial policy carries out List's ideas of nationalism, and is, on the whole, a relativistic policy of opportunity.

Schmoller's conception of economic categories is to be found in the second volume of his work, and in this connection it must be remembered that he did not aim to give more than an outline of

general economics. Since economics is to him an aggregate of social and political organs forming a unity in time or space, the treatment of applied economics naturally falls within its scope. This point of view, which is a necessary consequence of historical conception, is essential to his book and differentiates it from other economic works. It is the counter-pale to any systematic grouping like, for instance, that of Léon Walras, who successfully differentiated pure from applied economics, and applied economics from politics in the strictest sense.

Schmoller's grouping of the whole is best understood from a recital of the titles of the different chapters. The second volume, like the first, is divided into two books. The first of these books deals with "The Social Process of the Distribution of Goods and Income;" the second, with "The Development of Economic Life as a Whole." The sections are very comprehensive and admit of many subdivisions. The first book has the following chapters: (1) "Traffic, Market, and Commerce;" (2) "Economic Competition;" (3) "Measures, Coins, and Weights;" (4) "Value and Price;" (5) "Wealth, Capital, Credit, Rent, and Interest;" (6) "The Institutions of Credit and Their Modern Development, Banking;" (7) "Labor, Rights, and Contract of Labor, the Problem of the Unemployed;" (8) "The More Important Modern Social Institutions, Charity-Organization, Insurance Policy, the Labor Market, Trade-Unionism, and Courts of Arbitration;" (9) "Income and its Distribution, Profit and Rent, Income from Capital and Labor."

The chapters are given in their order of succession, because Schmoller's grouping will doubtless be made a subject of criticism, both on account of the order and because of the demarkation which divides homogeneous subjects and treats unequals as equals. It is not necessary to make value the pivot of economic science, but, on the other hand, it certainly can never be a *single* phenomenon like banking or trade-unionism. It is true that Schmoller has analyzed the historical elements of value and price, and by his examination of the real facts of supply and demand has built up the substructure for a real theory of price, but, at the same time, he seems to have underestimated the importance of the general side of the value problem. In the given order money is treated before value, but the value of money has been introduced in the chapter on value and prices, whereas all questions of currency are necessarily problems of value.

In consequence of Schmoller's blending of pure and applied

economics, fundamental problems like wages are closely followed by relatively insignificant ones, and heterogeneous elements, like trade-unionism and the insurance of traffic goods, are treated side by side under the head of social institutions.

While capital rent and wages of labor are examined as single phenomena, land rent is only discussed in the chapter on income and its distribution, which is scarcely giving proper place to this important economic concept. The treatment of the two former problems under different heads does not make it easier for the reader to understand Schmoller's views in their totality, and before passing to the second book it may be well to give two of his characteristic definitions:

Economic *value* is the apperception — gained by comparison and estimation — of the measure of significance peculiar to a single commodity or single quantity of labor by means of a comparison of their utility and acquirability for the economic purposes of man. *Credit* is the total complex of psychological commercial premises and of the economic relations and institutions which have their source in custom and right, and which involve a transfer of commodities against an equivalent in the shape of a loan when a certain time intervenes between loan and repayment.

The last book deals with the development of economic life as a whole; but under this wide subject there are treated only the following: (1) "The Ups and Downs of Economic Life As Manifested by Crises;" "The Problems of the Social Conflicts of Classes and Their Solution by Reforms;" (3) "The Economic Struggles of Nationalities as Manifested by Commercial Policy."

In his theory of crises Schmoller upholds the idea of a certain periodicity, or, in other words, the theory of a cycle of rises and falls in economic life. Here, as elsewhere, he hopes for the development of a new policy for the prevention of crises, believing that by means of more exact information supply and demand may be better adjusted. Moreover, he trusts that a progressive subordination of individual interest to the welfare of the whole community may gradually take place. It will long remain an open question, however, whether or not the hopes of ethical economists will ever be realized.

The chapter on social conflicts is a history of social evolution, and in this connection socialism is examined. Schmoller believes in a slow process of transformation within social democracy itself, in a gradual mitigation of extreme radicalism, and in the possibility of a reconciliation between the working and the employing classes. But as the masses are led by temper and passion, and not by reason and

reflection, Schmoller thinks extreme democracy an error. He denies the last claims of democracy because they tend toward anarchy and the annihilation of that sovereignty of the state which is the achievement of centuries. Socialism, like all historic movements, he believes, after having passed the zenith, must decline, but it goes on fermenting and bringing about social reforms which will probably manifest themselves most obviously in those states where monarchy is most firmly established. The history of Prussia and her successful bureaucracy have made Professor Schmoller a more passionate advocate of bureaucracy than any other economist, and his ideas on the inheritance of acquired characteristics doubtless bear upon this matter.

The chapter on commercial policy deals with some of the author's favorite problems, and is especially illustrative of Professor Schmoller's way of thinking. He discusses the development of commercial policy from the oldest times to the present day. The epoch of mercantilism is treated most in detail; for it is to Schmoller that the mercantile system owes its rehabilitation. As regards these problems he holds that we have certainly gone beyond Adam Smith and the physiocrats, and now realize that every phase of social development requires a certain form of state intervention. Mercantilism was therefore a necessity in its time and was justified by its success. Only its exaggeration prepared the way for new ideas. The further discussions of the unhistoric theory of free trade gives the best insight into Schmoller's idea of the state and the individual—of liberty and restriction—and in his attacks on the doctrines of absolute free trade he looks upon Alexander Hamilton and Friedrich List as his teachers. After treating in large outlines the essence of modern commercial policy, chiefly the modern protectionist movement, he states that he does not believe in a quick recession of the imperialistic and protectionist wave, but hopes that it may come and that by conventions and courts of arbitration means may be found to mitigate and pacify commercial struggles.

Far beyond the scope of the preceding chapters is the significance of the fourth and last one. Here the deepest historio-philosophical questions are raised. "The economic as well as the general development of mankind and of single nations, their rise, prosperity, and fall," Schmoller thinks, are not economic problems in a strict sense, but final problems which can be answered by the economist only in a specific way. The totality of Schmoller's ideas is partly summarized in the following sentence on the essence of economic progress:

Everywhere we come to the result that economic evolution is only superficially explained by categories like rising wants, technical progress, increasing population, but that its essence is rather evolution of man as such, manifesting itself in the development of greater economic faculties and virtues, and in the establishment of ever greater and more complicated social-economic organs and communities.

The formation of new social organs is the final result of his economic interpretation. It must be admitted, however, that his explanation already presumes the idea of evolution. The fact that isolated hordes became rich and civilized nations is "to the one an explanation, to the other an expression of evolution." But we cannot discuss here what the historian and what the theorist mean by explanation.

It is self-evident that Schmoller rejects any mechanical theory of evolution. Neither from the climate, from technical progress or the material productive powers (Marx), or from the division of labor (Durckheim), does he derive evolution. They all are fundamental causes, but not the only ones. Even the more spiritual theories do not satisfy him. In all of them he recognizes relative truths, hints, and indications which lead to the final problems. The problems of race, custom, right, morals and religion, political and economic institutions, are so closely intertwined that it is impossible to find the Archimedean point from which they can be attacked. It yet remains to describe phenomena in their totality from their smallest beginnings to the highest state of development, and Schmoller has already in a well-known former publication developed his theory of economic epochs. He distinguishes: (1) the epoch of domestic economy (*Eigenwirtschaft*); (2) the epoch of urban economy (*Stadt-wirtschaft*); (3) the epoch of territorial economy (*Territorialwirtschaft*); (4) the epoch of national economy (*Volkswirtschaft*); (5) the epoch of universal economy (*Weltwirtschaft*). This distinction is not, by the way, purely economic, as questions of political power also come into play.

It is clear that Schmoller's purpose has indeed been accomplished. Whoever has worked through his book must be convinced of the complexity of economic phenomena, which cannot be explained by a few abstract formulae. Not a mere skeleton, but real life, has been depicted, and through this monumental book the reader of today as well as the reader of the next generation will be able to gain an insight into the ruling tendencies of our time. Schmoller's work is

perhaps the greatest contribution that the historical conception of economic science is able to give; but as human mind strives after unity as well as after complexity, as if both of them were conclusive, either of them has the right to exist. From the point of view of pure theory, the method of which is absolutely different from Schmoller's, his life-work can be only substructure; but it is a basis on which the grand edifice of pure theory can stand firmly.

How far the practical proposals would be efficient cannot be judged now. The impregnation of economics with ethical ideals is a consummation devoutly to be wished. But whether these ideas will not always meet with the invincible resistance of the real powers beyond all relative ethics is a question which can be solved only in the future, to which, as well as to the past, Ranke's words are applicable: "Only absolute thought is powerful in the world."

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THE JEWISH LABORER IN LONDON

Dr. Halpern's monograph on the Jewish workers of London¹ is a valuable contribution to the literature on the immigration question. The author has carefully compiled a mass of material scattered through official publications, reports of charitable institutions, and the periodical press—English, as well as Yiddish and Russian—and wrought them into an unbiased descriptive study of conditions as they actually exist. His generalizations at times betray a superficial knowledge of subjects not strictly within the scope of his inquiry; fortunately, however, his ventures beyond his proper field are not frequent enough to impair the value of his study.

The monograph consists of six chapters: (1) "Brief Review of the Legal and Economic Condition of the Jews in Russia;" (2) "Statistical Presentation of the Russian-Jewish Settlement in London;" (3) "The Housing Problem;" (4) "The Trades of the Jewish Worker: (a) General; (b) Tailoring; (c) Shoe-Making; (d) the Manufacturing of Furniture; (5) "Attitude of the Jewish Workers towards Trade-Unionism; Jewish Trade Unions in London;" (6) "Effects of Jewish Immigration."

Those American readers who have seen the life of the Ghetto on

¹ *Die jüdischen Arbeiter in London.* Von Georg Halpern. München: Bren-tano & Lotz, 1903. 8vo, pp. 84.